

BANK INDONESIA REGULATION

NUMBER: 7/30/PBI/2005

CONCERNING

THIRD AMENDMENT

TO BANK INDONESIA REGULATION NUMBER 4/9/2002

CONCERNING OPEN MARKET OPERATIONS

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to strengthen the effectiveness of Open Market Operations, it is necessary for Bank Indonesia to enact new provisions concerning regulation of Open Market Operations on the rupiah and forex money markets;
  - d. now therefore, based on the premise set forth in letter a, it is deemed necessary to enact the third amendment to Bank Indonesia Regulation No.4/9/PBI/2002 concerning Open Market Operations;
- In view of:
- 1. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
  - 2. Bank Indonesia Regulation No.4/9/PBI/2002 concerning Open Market Operations (State Gazette of the Republic of

Indonesia Number 126 of 2002, Supplement to the State Gazette of the Republic of Indonesia Number 4243);

HAS DECREED:

To enact: THE THIRD AMENDMENT TO BANK INDONESIA REGULATION NUMBER 4/9/PBI/2002 CONCERNING OPEN MARKET OPERATIONS.

Article I

A number of provisions in Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operations (State Gazette of the Republic of Indonesia Number 126 of 2002, Supplement to the State Gazette of the Republic of Indonesia Number 4243), as last amended by Bank Indonesia Regulation Number 6/33/PBI/2004 (State Gazette of the Republic of Indonesia Number 169 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4463), are hereby amended as follows;

1. The provisions of Article 4 are amended to read as follows:

“Article 4

The scope of OMO on the Rupiah money market includes the following:

- a. issuance of SBIs;
  - b. sale and purchase of Securities denominated in Rupiahs, including SBIs, Government Securities, and other high quality, liquid securities;
  - c. provision of the Bank Indonesia Deposit Facility in Rupiahs (FASBI);
  - d. fine tune operations (FTO).”
2. Between Article 4A and Article 5 are inserted two new articles, namely Article 4B and Article 4C, which read as follows:

“Article 4B ...

“Article 4B

OMO activities on the forex market conducted within the framework of sterilization/ intervention by Bank Indonesia shall be conducted by sale and purchase of foreign currencies against the Rupiah, among others in the form of spot, forward, and swap transactions.

Article 4C

The stipulated maximum term of OMO activities on the forex market as referred to in Article 4B for swap transactions is no more than 7 (seven) days.”

3. The provisions of Article 14 paragraph (1), paragraph (2), and paragraph (3) are hereby amended and one new paragraph, namely paragraph (4) added so that it reads as follows:

“Article 14

- (1) Banks participating directly in OMO activities on the Rupiah money market (whether for own account or the account of other, non-bank parties) and participating indirectly shall set aside adequate funds and/or securities at Bank Indonesia for settlement of payment or securities obligations at the time of settlement of the transaction.
- (2) Other parties participating in OMO activities on the Rupiah money market as referred to in Article 4 are required to set aside sufficient funds and/securities at their appointed Bank for settlement of payment or securities obligations at the time of settlement of the transaction.
- (3) If a Bank or other party in OMO on the Rupiah money market as referred to in Article 4 defaults on obligations as referred to in paragraph (1) and (2), the OMO transaction on the Rupiah money market shall be canceled.
- (4) Banks conducting OMO transactions on the forex money market are required to set aside adequate funds at Bank Indonesia or transfer adequate

funds ...

funds to Bank Indonesia for settlement of payment or securities obligations at the time of transaction settlement.”

4. Between Article 16 and Article 17 is inserted 1 (one) new article, namely Article 16A, which reads as follows:

“Article 16A

- (1) If a Bank conducting an OMO transaction on the forex money market defaults on obligations as referred to in Article 14 paragraph (4), the Bank shall pay the transaction amount on the next working day after the settlement date.
- (2) A Bank as referred to in paragraph (1) shall also be liable to sanctions as follows:
  - a. written warning; and
  - b. financial penalty, calculated on the basis of
    1. the effective Fed Funds rate at settlement date plus 200 (two hundred) basis points multiplied by the transaction amount multiplied by 1/360 (one three hundred and sixtieth) for settlement of payment obligations in the US dollar currency;
    2. the effective official rate at settlement date issued by the central bank or monetary authority of the country concerned plus 200 (two hundred) basis points multiplied by the transaction amount multiplied by 1/360 (one three hundred and sixtieth) for settlement of payment obligations in non-US dollar foreign currency;
    3. the effective Bank Indonesia rate (BI Rate) plus 200 (two hundred) basis points multiplied by the transaction amount

multiplied ...

multiplied by 1/360 (one three hundred and sixtieth) for settlement of payment obligations in Rupiahs;

- (3) Settlement of the transaction amount as referred to in paragraph (1) and of the financial penalty as referred to in paragraph (2) shall take place by means of:
- a. debiting the US dollar demand deposit account of the Bank at Bank Indonesia for settlement of the foreign currency payment obligations of the Bank. Payment obligations in non-US dollar currencies shall apply the Reuters indicated exchange rate at 08:00 hours Jakarta Time on the date at which the transaction is charged,
  - b. debiting the rupiah demand deposit account of the Bank at Bank Indonesia for settlement of the Rupiah payment obligations of the Bank.”

## Article II

This Bank Indonesia Regulation shall come into force on September 15, 2005.

Enacted in Jakarta

Dated September 13, 2005

THE GOVERNOR OF BANK INDONESIA

BURHANUDDIN ABDULLAH

ELUDICATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 7/30/PBI/2005  
CONCERNING  
THIRD AMENDMENT  
TO BANK INDONESIA REGULATION NUMBER 4/9/PBI/2002  
CONCERNING OPEN MARKET OPERATIONS

ARTICLE BY ARTICLE

Article I

Number 1

Article 4

Self-explanatory.

Number 2

Article 4B

“Spot” is defined as a sale and purchase transaction between 2 (two) currencies with delivery of funds 2 (two) working days after the transaction date. The transaction may be negotiated for delivery on the same day (today) or delivery at 1 (one) working day after the transaction date (tomorrow).

“Forward” is defined as a sale and purchase transaction between 2 (two) currencies with delivery of funds more than 2 (two) working days after the transaction date.

“Swap” is defined as a transaction for exchange of 2 (two) currencies by means of spot sale and purchase against forward resale/repurchase conducted simultaneously with

the same ...

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the same counterpart and at a price determined and agreed on the date of execution of the transaction.

Article 4C

Self-explanatory.

Number 3

Article 14

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Provision of funds at Bank Indonesia shall apply for settlement of transactions in Rupiahs. Settlement of transactions in foreign currency shall take place by funds transfer to a designated account at Bank Indonesia.

Number 4

Article 16A

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

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Article II

Self-explanatory.